

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6725**

**BILL NUMBER:** SB 406

**NOTE PREPARED:** Dec 21, 2008

**BILL AMENDED:**

**SUBJECT:** Residential Property Insurance.

**FIRST AUTHOR:** Sen. Sipes

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill specifies requirements for insurers that issue a policy of residential property insurance with respect to inquiries and complaints from insureds and property inspections and coverage.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** Violations of the provisions of the bill could be considered unfair and deceptive acts in the business of insurance which may be subject to a hearing by the Commissioner of Insurance. The bill could increase the number of violations for which a hearing may ensue. However, the Department of Insurance (DOI) should be able to handle any additional hearings given its current level of budget and resources.

**Background:** The bill provides that insurers that issue residential property insurance policies must respond to all inquiries received from an individual insured under the policy. Insurers must inspect the property to be insured and ensure that the coverage is sufficient to repair or replace any loss to the property with not less than the type and quality of materials of which the property is composed at the time of the inspection.

The bill prohibits termination of property insurance coverage by an insurer if the termination is based on the fact that an insured has filed a complaint concerning the insurer or the property insurance coverage with the DOI.

**Explanation of State Revenues:** As a result of a hearing, violators may be ordered to cease and desist from

the unfair or deceptive act or practice and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not be more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:**

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